

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

## MEMORANDUM

TO: Brockton Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 9, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is acceptable under Chapter 32.

We note the FY17 appropriation amount shown in this schedule is greater than the amount shown in our November 18, 2015 memorandum (which was based on the prior schedule) by approximately \$1.2 million. Systems that developed schedules based on a January 1, 2016 actuarial valuation typically maintained the FY17 appropriation from the prior schedule. The FY17 appropriation actually made reflects the prior schedule. The Board indicated the FY17 amount from the prior schedule was intended to be maintained. Since the FY18 appropriation under the revised schedule already increases significantly, the schedule is allowable with the understanding that the FY33 appropriation would increase from that shown. This will be resolved with the next schedule adopted in 2018.

In addition, this schedule amortizes the unfunded actuarial liability on a 4.5% annually increasing basis through FY32. Under the provisions of G.L. c. 32 Section 22F, the maximum allowable increase is 4.0% for schedules that extend beyond FY30. However, due to both the significant increase in the FY18 appropriation and that the Board could have adopted a schedule with similar payments over the next few years using a 4.0% increasing amortization basis and extending the schedule slightly, we will allow this schedule.

In our October 20, 2014 approval memorandum, we suggested the Board consider reducing the investment return assumption from 8.0% in the next valuation. The Board maintained the 8.0% assumption in this valuation. PERAC began generally using a 7.75% investment return assumption in our 2013 actuarial valuations and a 7.50% investment return assumption in our 2015 actuarial valuations. Currently 92 systems are using an assumption less than 8.0%. After the 2016 valuations are completed, we expect a 7.50% assumption will be the most commonly used assumption.



We also note this funding schedule reflects the adoption of a fully generational mortality assumption.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

JEC/jrl

P:\actuarial\APPROP\Approp17\brockton approval.docx

Enc.

## Section V - Contributions Payable Under the System (continued)

### Pension Reform Act - Section 22D Funding Requirements

Fiscal Year Ending In	Amortization of the Unfunded Actuarial Liability			Total City Contribution
	Normal Cost	UAL	1992 ERI	
2017	6,020,998	15,114,354	72,436	15,186,790
2018	6,392,641	18,549,348	72,436	18,621,784
2019	6,573,147	19,384,069	72,436	19,456,505
2020	6,757,866	20,256,352	0	20,256,352
2021	6,946,845	21,167,888	0	21,167,888
2022	7,140,129	22,120,442	0	22,120,442
2023	7,337,760	23,115,862	0	23,115,862
2024	7,539,779	24,156,076	0	24,156,076
2025	7,746,217	25,243,100	0	25,243,100
2026	7,957,108	26,379,039	0	26,379,039
2027	8,172,476	27,566,096	0	27,566,096
2028	8,392,342	28,806,571	0	28,806,571
2029	8,616,722	30,102,866	0	30,102,866
2030	8,845,623	31,457,495	0	31,457,495
2031	9,079,051	32,873,083	0	32,873,083
2032	9,317,000	24,329,400	0	24,329,400
2033	9,559,459	0	0	0
2034	9,806,406	0	0	0
2035	10,057,814	0	0	0
2036	10,313,644	0	0	0
2037	10,573,849	0	0	0
2038	10,838,367	0	0	0
2039	11,107,129	0	0	0
2040	11,551,415	0	0	0
2041	12,013,472	0	0	0
2042	12,494,011	0	0	0
2043	12,993,771	0	0	0
2044	13,513,522	0	0	0
2045	14,054,063	0	0	0
2046	14,616,226	0	0	0
2047	15,200,876	0	0	0